Review of Conversion from GG Special Salary Rates to DCIPS Pay Bands

SUMMARY: The Human Capital Management Office (HCMO) within the Office of the Under Secretary of Defense for Intelligence conducted a review of the way in which employees on special salary rates were converted into Defense Civilian Intelligence Personnel System (DCIPS) pay bands. Our finding is that that all employees were converted in an appropriate manner and no further action is required.

BACKGROUND:

OCONUS. Federal employees in the continental United States (CONUS) generally receive GS base pay plus locality pay. In non-foreign locations outside the continental United States (OCONUS), such as Alaska and Hawaii, employees generally receive GS base pay plus a Cost-of-Living Allowance (COLA) in accordance with rates published by the Office of Personnel Management (OPM). Employees stationed in foreign areas receive base pay plus a post allowance in accordance with rates published by the Department of State. Under no circumstances do GS employees in OCONUS locations receive locality pay.

Special Salary Rates. While under the GS/GG system, employees in certain occupations, such as engineering and information technology, receive special salary rates, in accordance with OPM special salary rate tables. These tables are available on the OPM website, Salaries and Wages (http://www.opm.gov/oca/09tables/index.asp). These special rates are intended to provide additional compensation to address market conditions for certain occupations in certain areas in order to attract and retain employees. Special salary rates are a single salary figure that incorporates elements of base pay, locality, and the additional amount above locality required to address occupation-related market factors. Employees may not receive both locality pay and a special salary rate. DCIPS does not utilize special salary rates

Targeted Local Market Supplement. DCIPS employees in OCONUS locations, in addition to receiving COLA or post allowances, receive a Targeted Local Market Supplement (TLMS) equal to the Local Market Supplement (LMS) rate for the Washington-Baltimore-Northern Virginia area (23.1% for 2009). The TLMS is applied on top of base pay, resulting in total salary that is higher than that afforded to employees of non-DCIPS organizations who receive only base pay or a special salary rate, in addition to any appropriate overseas allowances or benefits.

The authority to pay a TLMS was established in Interim DoDI 1400.25-Volume 2006, "DCIPS Compensation Administration", signed 03 December 2008. Interim Volume 2006 also specifically provides for an OCONUS TLMS paid to all DCIPS employees. In August 2009, a TLMS was established for polygraph examiners in all CONUS and OCONUS locations. The TLMS rate is calculated as a premium above the standard LMS rate for the polygrapher's work location in accordance with the following schedule: 10% for Band 2, 8% for Band 3, 6% for Band 4, and 2% for Band 5. Air Force polygraphers are excluded from receiving the TLMS at this time because they receive retention incentives.

Conversion into the DCIPS Pay Band Structure: All employees are converted into DCIPS pay bands according to their alignment with the DCIPS Occupational Structure as specified in DoDI

1400.25-Volume 2007, "DCIPS Occupational Structure." DCIPS conversion guidance also states that employees are converted into the band structure without loss of pay, and that total salary will stay the same, or may increase if the employee is eligible for a one-time within-grade increase (WGI) buy-in. The conversion guidance can be found in the online *DCIPS Conversion Calculator* (see Appendix A), as well as the *DCIPS Core Elements* classroom course, and *DCIPS 101* online course.

Interim DoDI 1400.25-Volume 2006 specifies that DCIPS employees will be converted into the DCIPS base pay band structure with the addition of a Local Market Supplement (LMS) appropriate for the employee's work location, if applicable, which is paid at the same rate as, and takes the place of, locality pay;. Upon conversion, any applicable WGI buy-in is added to the employee's base pay. The employee is then taken off of the GG schedule, converted to a pay band, and the applicable Local Market Supplement is applied on top of base pay. This is the conversion methodology that applies to most DCIPS employees.

Conversion of Employees on Special Salary Rates: DCIPS does not utilize special salary rates. The *DCIPS Conversion Calculator* states that "All special salary rates are canceled upon conversion to DCIPS. Special salary rates will, in most cases, be subsumed within the broader pay ranges of the DCIPS pay bands (including the addition of the standard local market supplement)."

DCIPS uses the same conversion rules that the National Security Personnel System (NSPS) used to convert employees from special salary rates to pay bands. Just like NSPS, DCIPS converts employees into the pay bands without loss of *adjusted basic pay* (see 5 CFR § 9901.371(c)). Adjusted basic pay is the employee's total salary comprised of base pay plus any supplement such as locality, LMS, TLMS, or a special salary rate supplement.

Conversion Formula for CONUS Employees on Special Salary Rates: Special rate employees in CONUS are placed into the pay band structure with base pay and a Local Market Supplement (LMS). The new base portion of the adjusted basic pay is constructed using the following formula.

$$\frac{\text{GG Adjusted Basic Pay}}{1 + \text{LMS Rate*}} = \text{DCIPS Base Pay}$$

For example, the Washington DC/Baltimore LMS Rate for 2009 is 23.1% (or .231 expressed as a decimal), so the denominator for the Washington DC/Baltimore area would be 1 + .231 = 1.231. The special salary rate for a GG 11, Step 1 information technology employee (occupational series 2210) in Washington, DC would have been $ 59,453 using OPM special salary table 999c for 2009. Using the formula above, the employee's DCIPS base pay is calculated as follows.

$$\text{DCIPS Base Pay} = \frac{\$59,453}{1 + .231} = \$48,297$$

The DCIPS Base Pay is then multiplied by 1 plus the applicable LMS rate to arrive at the DCIPS Adjusted Basic Pay. See the example below, and Examples 1 and 2 in Appendix B.

$$\text{DCIPS Adjusted Basic Pay} = \$48{,}297 * 1.231 = \$59{,}453$$

Conversion Formula for OCONUS Employees on Special Salary Rates: The conversion formula used for OCONUS employees is different than that used for CONUS employees since OCONUS employees receive an immediate increase in adjusted basic pay due to the addition of the OCONUS TLMS. After any applicable WGI buy-in is applied, the special salary rate is converted to base pay plus a special rate supplement (base pay plus the special rate supplement equal the pre-conversion total salary). The TLMS is then applied on top of base pay in place of the previous special rate supplement. Because special rates are canceled upon conversion to DCIPS bands, the OCONUS TLMS is not applied on top of the previous special salary rate. It is applied on top of the new DCIPS base pay. See Examples 3 and 4 in Appendix B.

Conversion Formula for Polygraphers: The conversion methodology for DCIPS polygraphers was different than that used for other employees on special rates. In order to address labor market issues, the polygrapher TLMS premium (e.g., 10% for a band 2 employee) was added to the LMS percentage for the employee's work location (e.g. 23.1% for a Washington DC employee) to create the new TLMS rate. For example, a band 2 employee in Washington DC would receive a polygrapher TLMS of 33.1%.

REVIEW METHODOLOGY: HCMO obtained employee records from Air Force, Army, and Navy, and compared the pre- and post-conversion compensation of employees who were on special salary rates prior to conversion to pay bands. A sample of four employees of the Defense Intelligence Agency was also examined. Not all records for DIA were used since DIA's OCONUS special salary rates were equal to the DCIPS OCONUS TLMS, thus, no conversion formula was required. The special salary portion of adjusted basic pay was simply replaced with the DCIPS OCONUS TLMS.

REVIEW FINDINGS: HCMO found that employees were converted from special salary rates in the correct manner in accordance with guidance provided by HCMO. The method used for polygraphers was the method approved by the Defense Intelligence Human Resources Board in June 2009.